



### DEVELOP ENERGY ON TAXPAYER-OWNED LANDS

As oil and gas production has increased in the United States, the rate of production on federal land has lagged relative to development on state and private lands, where higher royalty rates exist.

Delegating certain responsibilities for oil and gas development to state regulators would allow states to facilitate responsible, efficient oil and gas development on federal lands.

#### BACKGROUND

Energy development on federal lands is a crucial source of economic activity, jobs, and revenue for Western States. Natural resource revenues mitigate environmental impacts, support infrastructure projects,<sup>1</sup> and fund public services, including public school systems and community colleges.<sup>2</sup> The benefit of these taxpayer-owned resources also provides significant revenues at the federal level. In Fiscal Year (FY)2019, oil and gas companies producing on federal land paid a total of \$4.1 billion into federal coffers, not to mention additional state and federal taxes.<sup>3</sup>

The U.S. Department of the Interior's Bureau of Land Management (BLM) is responsible for managing the federal onshore mineral estate, which includes roughly 700 million acres of land held primarily by the BLM and U.S. Forest Service.<sup>4</sup> BLM leases these lands to developers through quarterly lease sales (when parcels are available for lease)<sup>5</sup> and issues the necessary federal permits to leaseholders required for oil and gas development.

In recent years, costly regulatory requirements have discouraged oil and gas developers from operating on federal land. Instead, developers have opted to do business on state and private lands in spite of higher royalty rates.<sup>6,7</sup> While oil and gas production has increased since 2008, this growth has occurred largely on state and private lands.<sup>8</sup> Between FY2008 and FY2017, daily nonfederal oil and gas production more than doubled.<sup>9</sup> However, as overall production grew, the federal share of domestic crude oil production fell from 36% in 2009 to 24% in 2017 and the federal share of natural gas production decreased from 25% in 2008 to 13% in 2017.

Burdensome leasing, permitting, and regulatory processes hamper development, resulting in lost revenue and delaying revenue payments to the states—jeopardizing state budgets and public priorities. For example, in September 2016, the BLM held a successful lease sale in New Mexico, which generated \$145 million in revenue, nearly \$70 million of which was owed to the state. Environmental groups filed multiple protests on the sale, causing BLM to spend months reviewing protests and a 250-day delay in issuing the payment to the state. This delay jeopardized the state budgeting process and threatened the provision of key services funded by anticipated revenues.<sup>10</sup>

#### Quick Take

Burdensome federal regulations and bureaucracy deter energy producers from developing federal natural resources despite higher royalty payments on state and private land.

Congress should empower the Secretary of the Interior to work with states in an effort to ensure that federal resources are responsibly developed for the benefit of all Americans.

## CONSTITUTIONAL AUTHORITY AND REPUBLICAN PRINCIPLES

Congress possesses the constitutional authority to manage federal lands.<sup>11</sup> Citizens should be fairly compensated for the use of public resources under federal management. As a matter of principle, generating fair-market revenues from existing federal resources is preferable to tax increases or borrowing to pay U.S. obligations.

## POLICY SOLUTIONS

States have stringent, modern, and comprehensive regulatory regimes capable of responsibly regulating energy development on federal lands. Increasing the role of states in federal land management can create opportunities for more efficient and expanded development while ensuring American taxpayers realize the value of the nationally owned natural resources. Congress should:

- Allow the Secretary of the Interior to delegate certain regulatory authorities for oil and gas development on federal lands to the states to streamline the regulatory process and eliminate unnecessary delays at the federal level. One proposal for authorizing delegated authority to the states for oil and gas development is included in H.R. 4294, the American Energy First Act of 2019.<sup>12</sup>
- Refocus the limited resources of BLM and the U.S. Forest Service on their core mission of managing federal lands.

**Please contact Cameron Smith or Kelsey Wall with the Republican Policy Committee at (202) 225-4921 with any questions.**

<sup>1</sup> Marc Humphries, *Mineral Royalties on Federal Lands: Issues for Congress* (2015), <http://www.crs.gov/reports/pdf/R43891>.

<sup>2</sup> The United States Extractive Industries Transparency Initiative. Explore Data, Wyoming, <https://useiti.doi.gov/explore/WY/#disbursements> (Accessed August 29, 2017).

<sup>3</sup> Office of Natural Resource Revenue. *Natural Resources Revenue Data*, <https://revenue.data.doi.gov/query-data/?dataType=Disbursements> (Accessed March 3, 2020).

<sup>4</sup> Bureau of Land Management. *About the BLM Oil and Gas Program*, <https://www.blm.gov/programs/energy-and-minerals/oil-and-gas/about>.

<sup>5</sup> Bureau of Land Management. *Oil and Gas Leasing Instructions*, <https://www.blm.gov/programs/energy-and-minerals/oil-and-gas/leasing/general-leasing> (Accessed October 10, 2017).

<sup>6</sup> Western Energy Alliance. *Tax & Royalty Revenue*, <https://www.westernenergyalliance.org/knowledge-center/tax-royalty-revenue>.

<sup>7</sup> Government Accountability Office. *Oil, Gas, and Coal Royalties* (June 2017), <https://www.gao.gov/assets/690/685335.pdf>

<sup>8</sup> Michael Ratner, *21<sup>st</sup> Century U.S. Energy Sources: A Primer*, <http://www.crs.gov/reports/pdf/R44854>.

<sup>9</sup> Marc Humphries, *U.S. Crude Oil and Natural Gas Production in Federal and Nonfederal Areas*. Updated October 23, 2018. <http://www.crs.gov/reports/pdf/R42432>.

<sup>10</sup> Hayden, Maddy, *N.M. Delegation calls for \$69M from BLM*, April 6, 2017, <http://www.currentargus.com/story/news/local/new-mexico/2017/04/06/nm-delegation-calls-69m-blm/100124060/>.

<sup>11</sup> U.S. Const. art. IV, § 3, cl. 2.

<sup>12</sup> H.R.4294, 116th Cong. (2019).